Weekly Economic Review

Alberta resale housing market bounces back

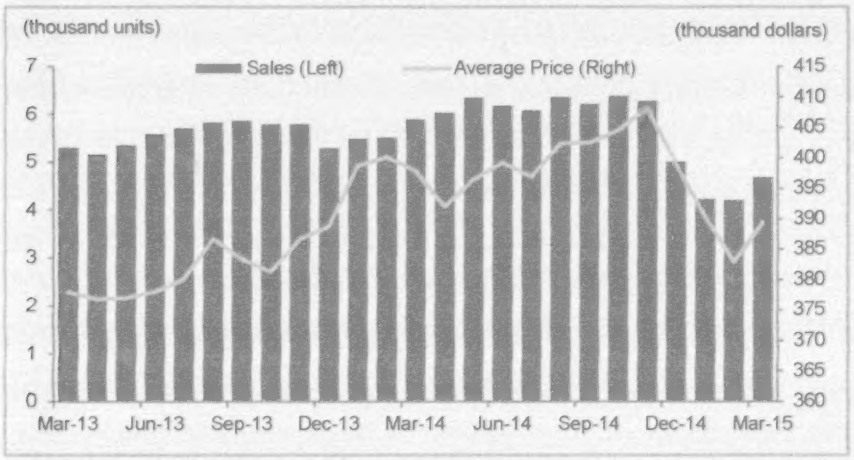
Resale Housing

Alberta resale market calms

After some upheaval over the past two months, the Alberta resale housing market regained some balance in March. Alberta sales recovered 11% from February to 4,675 (Chart 1) and the number of new listings fell to 8,924, largely unchanged from a year ago. The sales-to-new listings ratio was 0.52, with the market returning to balance after flirting with the buyer's territory earlier in the year. Despite the rebound, sales were still down 21% year-over-year (y/y). Inventories of unsold homes remain elevated, with enough stock to meet sales for 5.3 months, up from just 3.2 in November. The average resale price in Alberta went up this month to $389,417 in March, but was still down 2.1% year-over-year.

Chart 1: Alberta housing market rebounds slightly

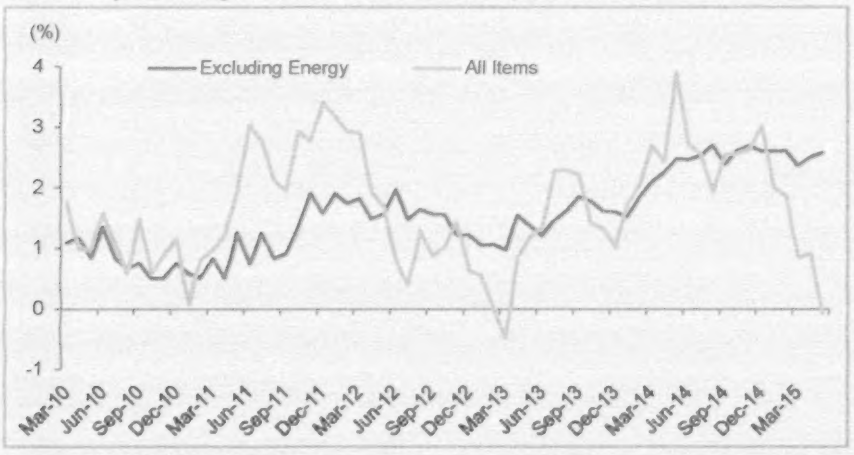
Alberta resale housing sales and average resale price



Source: Canadian Real Estate Association

Chart 2: Excluding energy, inflation remains elevated

Year-over-year change in the Alberta consumer price index



Source: Statistics Canada

The Canadian resale market strengthened for the second-straight month, with increases in both new listings and sales. The sales-to-new listings ratio was up slightly from February to 0.54. The average resale price of a Canadian home jumped up to 8.8% y/y, the result of price increases in British Columbia and Ontario.

Consumer Price Index (CPI)

Energy prices pull down inflation

Alberta consumer prices fell year-over-year for the first time in just over two years, down 0.1% in March. The deflation was caused by natural gas prices, which were 42% lower than March 2014, when ultra-low natural gas inventories caused prices to spike. Excluding energy prices, inflation was somewhat elevated at 2.6% (Chart 2), buoyed by meat prices, home and mortgage insurance, and communication costs.

Nationally, total CPI inflation was 1.2% in March. The Bank of Canada's preferred measure of underlying inflation, which excludes volatile components like energy prices, jumped to 2.4%, the highest rate of core inflation in two years.

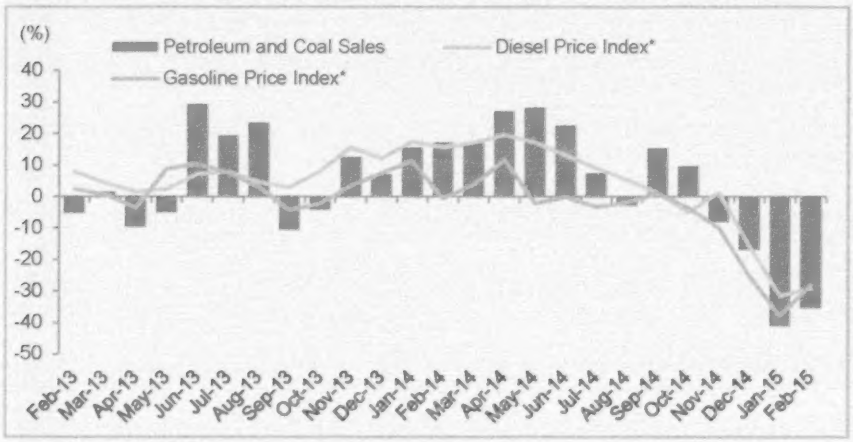
Manufacturing Sales

Gasoline prices hurt sales

Alberta shipments of manufactured goods increased by 1.1% to $6.0 billion in February 2015, but were still down 8.5% from February 2014, as petroleum and coal shipments fell 35% y/y on lower gasoline prices (Chart 3). Excluding petroleum and coal, manufacturing shipments were up 2.8% y/y. The greatest contributor to the year over year increase was food manufacturing, which increased by 9.3% from gains in meat slaughter and processing.

Chart 3: Petroleum manufacturing falls on prices

Year-over-year change in fuel prices and Alberta petroleum and coal sales

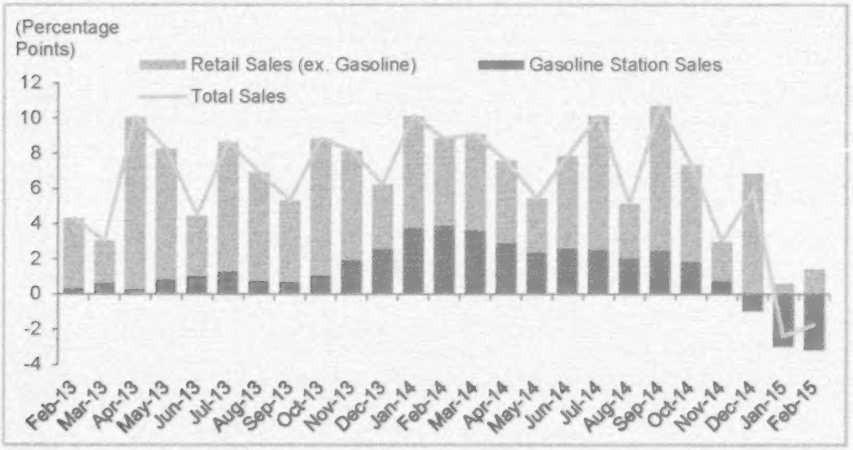


Source: Statistics Canada

* From the Industrial Product Price Index for the Prairie Region

Chart 4: Gas station sales caause retail sales to fall

Contribution to year-over-year change in Alberta retail sales



Source: Statistics Canada

Canadian manufacturing shipments declined by 1.5% from last year. As in Alberta, petroleum and coal was responsible, with sales down 31%.

Retail Sales

Weak growth in sales

After falling for four-straight months, Alberta retail sales rose modestly in February, up 1.5% to $6.4 billion. Year-over-year, however, sales were down 1.4%. Growth continued to be pulled down by lower gas prices, with sales at gasoline stations down 19% y/y (Chart 4) . Excluding gasoline stations, retail sales increased 1.7% y/y. Both general merchandise stores and home and garden stores saw sizable increases in sales. Motor vehicle and parts dealer sales, the largest component of retail sales, were down 0.5% y/y, on a decline in sales at new car dealers.

Canadian retail sales were $42.2 billion in February, an increase of 2.5% y/y. Half the provinces experienced positive growth, led by British Columbia at 12%.

Bank of Canada

Outlook revised on oil prices

The Bank of Canada kept its target interest rate at 0.75%, while also lowering its first quarter real GDP growth forecast to nil, as the oil shock ripples through Canada's economy "faster than initially expected". The Bank expects annual GDP growth of 1.9% in 2015, with the economy not returning to full capacity until late 2016. Non-energy exporters have benefited from the lower Canadian dollar and resurgent US growth. Low gasoline prices have held inflation at 1%, and the rate would be lower if not for the offsetting effects of the weaker Canadian dollar on import prices.

Contact

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.